Reduction of Central Sales Tax

205. SHRI K. CHANDRAN PILLAI: Will the Minister of FINANCE be pleased to state:

(a) whether Government propose to reduce the percentage of Central Sales Tax;

(b) if so, the details thereof;

(c) whether this will result in loss of revenue to the States;

(d) if so, whether measures are being taken to compensate the States for the revenue loss;

(e) if so, the details thereof; and

(f) by when the decision would be implemented?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) The Central Sales Tax (CST), being an origin-based non-rebatable tax, is inconsistent with VAT and therefore, as part of the ongoing tax reform process, the Government propose to phase out the CST. It is proposed to phase out the CST over next 3 years, starting with reduction in CST rate from 4% to 3% w.e.f. 1st April, 2007.

(c) Yes, Sir.

(d) to (f) A broad consensus has been arrived at on the measures to be taken by the Central and the State Governments to compensate the States for the revenue loss due to phasing out of the CST. The details are being worked out.

Control over price rise

206. SHRI VIJAY J. DARDA: Will the Minister of FINANCE be pleased to state:

(a) whether he has cautioned the industry leaders not to artificially push up product prices because of demand being high and supply-side constraints, the demand outstripping supply syndrome should not become the determinant factor for earning large profits, as that would be a short-term view and ultimately counter-productive; and